

Message Text

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ORIGIN EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 TAR-02 AGR-20 L-03 H-03 PA-04 PRS-01 USIA-15

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FM SECSTATE WASHDC

TO AMEMBASSY ANKARA PRIORITY

AMCONSUL ISTANBUL PRIORITY

AMCONSUL IZMIR PRIORITY

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E.O. 11652: N.A

TAGS: ETRD, TU

SUBJECT: DISCRIMINATORY TOBACCO PRICES FOR AMERICAN IMPORTERS

REF: ANKARA 5424

1. THE DEPARTMENT HAS RECEIVED A COPY OF THE FOLLOWING
MEMO TO CONGRESSMAN FOUNTAIN WITH HIS REQUEST FOR FURTHER
INFORMATION:

2. QUOTE JULY 1,, 1974

TO: CONGRESSMAN L. J. FOUNTAIN

FROM: HORACE R. KORNEGAY -- TOBACCO INSTITUTE

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SUBJECT: FURTHER INFORMATION RELATIVE TO U.S. PURCHASES OF

TURKISH LEAF FROM 1972 CROP

BASED ON INFORMATION RECEIVED FROM A REPRESENTATIVE OF ONE OF THE U.S. TOBACCO COMPANIES STATIONED IN TURKEY BY WAY OF TELEPHONE LAST NIGHT, IT WOULD APPEAR THAT THE CABLES RECEIVED BY OUR GOVERNMENT ARE CONFUSED IN THAT THEY SPEAK OF THE 1973 TOBACCO CROP AND DO NOT MENTION THE SITUATION RELATING TO THE SALE OF THE 1972 CROP. THE 1972 CROP IS THE ONLY TOBACCO INVOLVED IN THE SITUATION COMPLAINED OF, AND IS IN THE HANDS OF THE TURKISH TOBACCO MONOPOLY.

A MEETING WAS HELD IN ISTANBUL YESTERDAY, JULY 10, BETWEEN MONOPOLY OFFICIALS AND AGENTS FOR PURCHASING COMPANIES FROM FREE MARKET COUNTRIES AND COMANIES WERE THERE ADVISED THEIR BIDS WERE NOT ACCEPTED AND THAT ANY NEW BIDS WERE AT THE MINIMUM EXPORT PRICE OF DOLS. 2.02/KILO AND WERE SUBMITTED TO THE MONOPOLY PRIOR TO THE REVALUATION OF THE LIRA.

THERE ARE THREE BASIC GRADES OF TURKISH TOBACCO:

1. AMERICAN G;ADE - BASIC PRICE OF DOLS. 2.02/KILO ADJUSTED TO DOLS. 2.,0KILO.
2. B GRADE (WHIH GOES MONTHLY TO EUROPE) - DOLS 1.75/KILO.
3. K;PPA (LOW GRADE) - DOLS 1.05/KLO.

THIS AGENT REPORTED THAT TE MONOPOLY HAS SOLD 3,500 TONS OF LEAF TOBACCO OUT OF THE 1972 CROP TO FRANCE, SP;IN, ITALY AND TUNISIA AT THE PRICE OF DOLS. 2.10/KILO FOR AMERICAN GRADE, DOLS 1.75/KILO FOR B GRADE AND DOLS 1.05/KILO FOR KAPPA GRADE. FRANCE PURCHASED 2,700 OF THE 3,500 TONS. THIS PRICE OF DOLS 2.10 FOR THE AMERICAN GRADE HAS BEEN CONFIRMED AND IS THE BASE PRICE OF DOLS 2.02 ADJUSTED TO THE REVALUATION OF THE LIRA AND THE PRICE OF THE B GRADE AND KAPPA GRADE HAS ALSO BEEN ADJUTED.

THE BIDS SUBMITTED BY U.S. COMPANIES AND WHICH WERE LIMITED OFFICIAL USE

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DECLINED YESTERDAY STATED SAID COMPANIES WOULD TAKE THE TOBACCO AT THE MINIMUM EXPORT PRICE WHICH, AT THE TIME THE BID WAS SUBMITTED, WAS DOLS 2.0/KILO. U.S. COMPANIES DO NOT QUESTION OR COMPLAIN OF INCREASE IN PRICE AS A RESULT OF REVALUATION OF THE LIRA. THEY EXPECTED TO PAY APPROXIATELY DOLS .,10/KILO UNDER SUBMITTED BIDS WHICH WERE REJECTED.

INFORMATION COMING FROM THE MONOPOLY BY WAY OF INFORMAL DISCUSSIONS INDICATES THAT MONOPOLY WILL NOT SELL AMERICAN GRADE FROM THE 1972 CROP TO FREE MARKET COMPANIES FOR LESS THAN DOLS 2.30-2.40/KILO.

THE INFORMATION COMING OUT OF TURKEY IS TO THE EFFECT THAT THE CLIMATE THERE IS TO DISCRIMINATE AGAINST THE PRIVATE SECTOR, THAT IS THE FREE MARKET COUNTRIES. BOTH THE MINISTER OF COMMERCE AND THE HEAD OF THE TOBACCO MONOPOLY ARE SOCIALISTS AND HAVE PUBLICLY STATED THAT THE FREE MARKET COUNTRIES AND THE COMPANIES WHO OPERATE THEREIN ARE AND HAVE IN THE PAST DENIED THE TURKISH

TOBACCO FARMERS A FAIR AND ADEQUATE PRICE FOR TURKISH TOBACCO. THIS CONTENTION, OF COURSE, IS DENIED BY THE U.S. TOBACCO COMPANIES PURCHASING TURKISH LEAF. END QUOTE.

3.WOULD APPRECIATE POSTS' FURTHER COMMENTS ASAP. KISSINGER

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